43RD ASSA BOARD MEETING SINGAPORE

Strengthening Social Security: **Singapore's Experience**



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Outline of Presentation



Singapore’s Social Compact



The Four Pillars of Social Security in Singapore



Expanding Social Security to Address Emerging Challenges

Singapore's Social Compact

Key Elements of Singapore's Socio-Economic System

- Self-Reliance
  - "Reward for Work; Work for Reward"
- **"Social investment state"**
  - Focus on education and public housing/home ownership
- Inclusivity in opportunities
  - "A stake for everyone, opportunities for all"
  - Early intervention to maximise opportunities
- Targeted rather than universal social assistance
  - Community Care support strictly means tested

*"Our **social compact** is rather different. It is based on personal responsibility, with the family and community playing key roles in supporting people through difficulties. **The state will provide a safety net, but it should be a last resort, not a first resort, and should focus on the minority who need help the most.** We thus avoid state welfare, which will erode our incentive to achieve* **and sap our will to strive."**

Then-PM Lee Hsien Loong

2005 Budget Speech

Central Role of Employment in the Social Compact

- Premised on ability of **economy to provide jobs for anyone willing to work**
  - "A job is the best welfare"
  - "Full employment is the best protection for our people."
- **Focus on job creation, upstream education and skills investment** for good jobs and incomes
- **Employment facilitation** to help those who are retrenched or unemployed to get back into employment

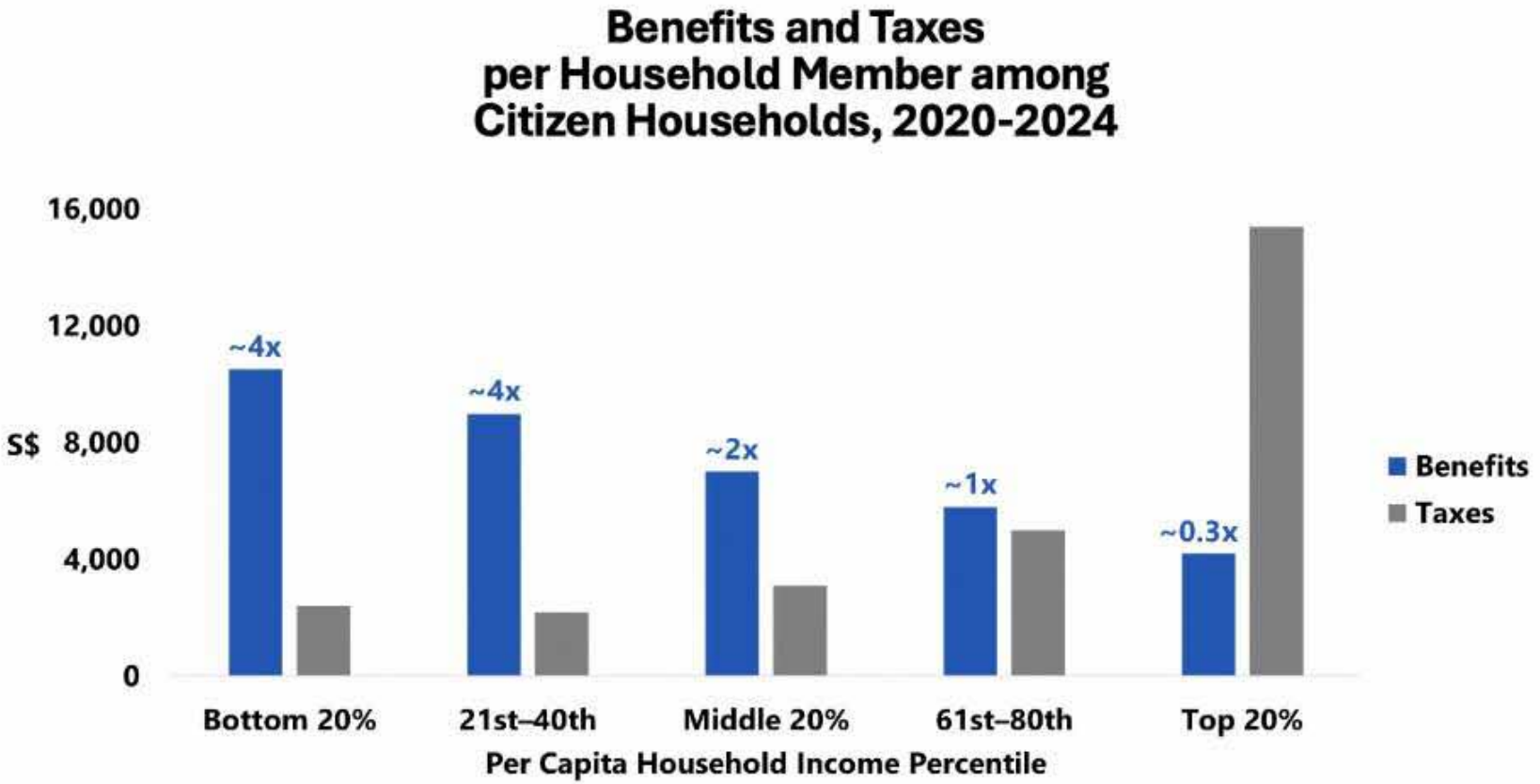
Singapore's Principles of Social Assistance (2005 MCYS Committee of Supply Speech)

- **Self-Reliance**
  - To prevent a drain on fiscal resources
  - To promote the values of self-reliance, family and community self-help, which are deemed essential to economic dynamism and social resilience.

- **Family as the first line of support**
  - State support (ComCare) strictly means tested (<5% of households) and takes **into account household income as well as family members' contributions**

- **Many helping hands**
  - Government partners social service agencies, donors, volunteers, grassroots organisations to deliver support to the needy
  - Community giving encouraged through tax deductions (250% for approved donations)

A Stake for Everyone: Redistribution

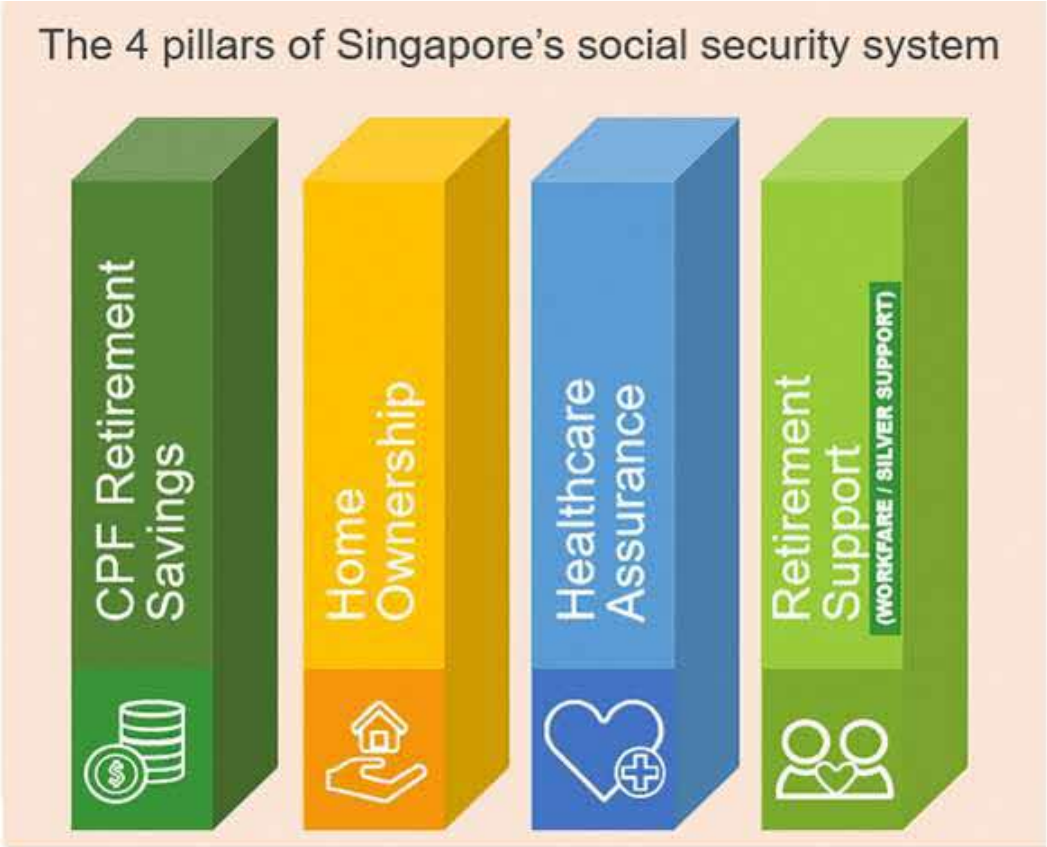


Source: MOF estimates

Note: Income groups are based on the ranking of citizen households by household income from employment (including employer CPF contributions) per member. Benefits include transfers, subsidies and capital grants related to housing, employment & training, education, healthcare, social support, childcare, marriage & parenthood, and special transfers. Taxes include personal income tax, GST, vehicle-related taxes, property tax, foreign domestic worker levy, stamp duty, and other indirect taxes.

The Four Pillars of Social Security in Singapore

The Four Pillars of Singapore's Social Security System



Underpinned by

Central Provident Fund (CPF) System

Overview of CPF System

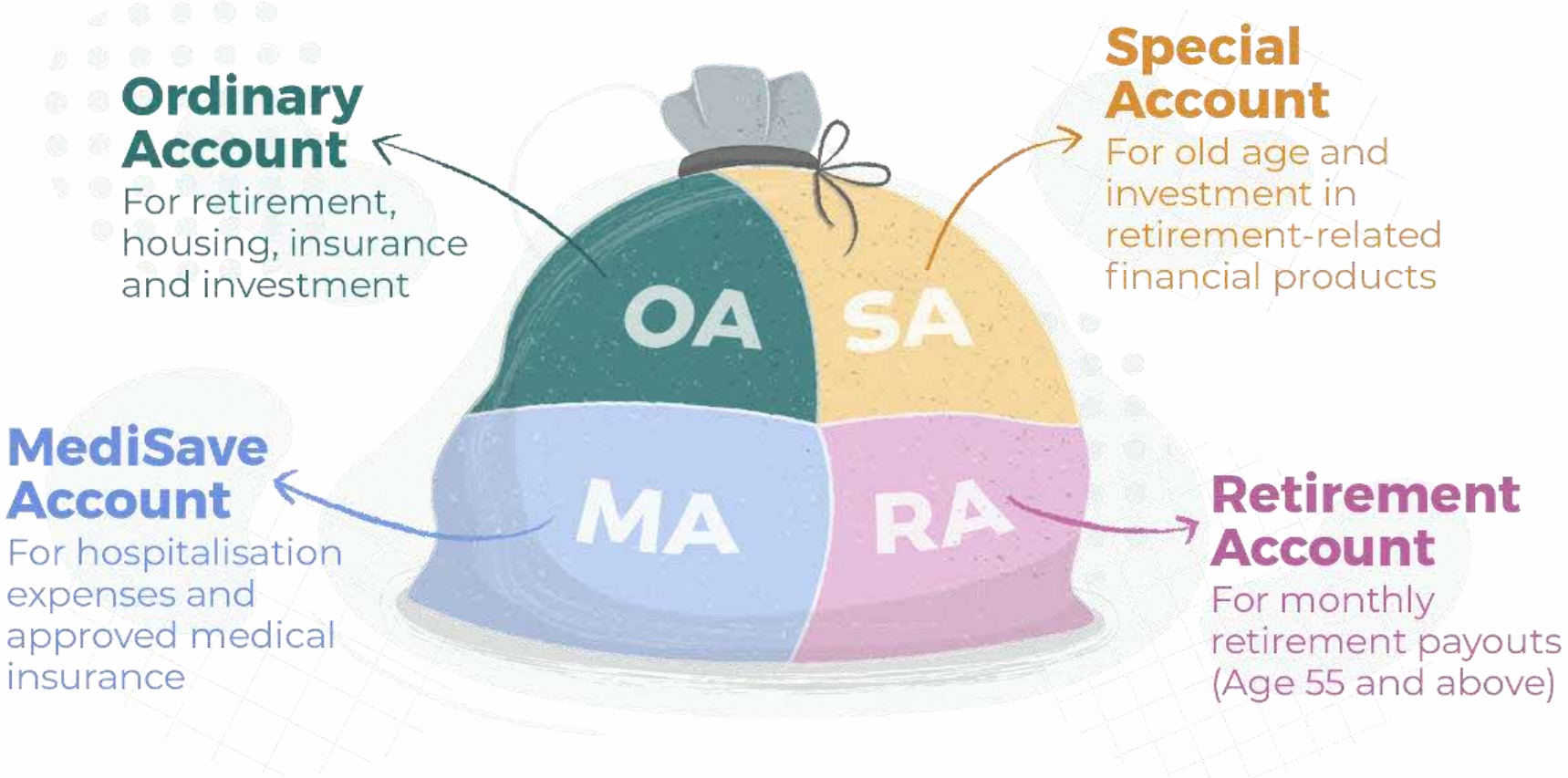
- **Central Provident Fund (CPF)** - system of mandatory savings for citizens and permanent residents to provide for retirement, housing and healthcare needs
- Payable for part-time, casual or temporary employees engaged under a contract of service with total wages of more than S$50 per month.
- Individual accounts that are **fully funded** by contributions from employers and employees rather than from taxes
- A **defined contribution (DC)** scheme - total benefits are equal to the contributions into the account plus credited interest

Evolution of CPF System

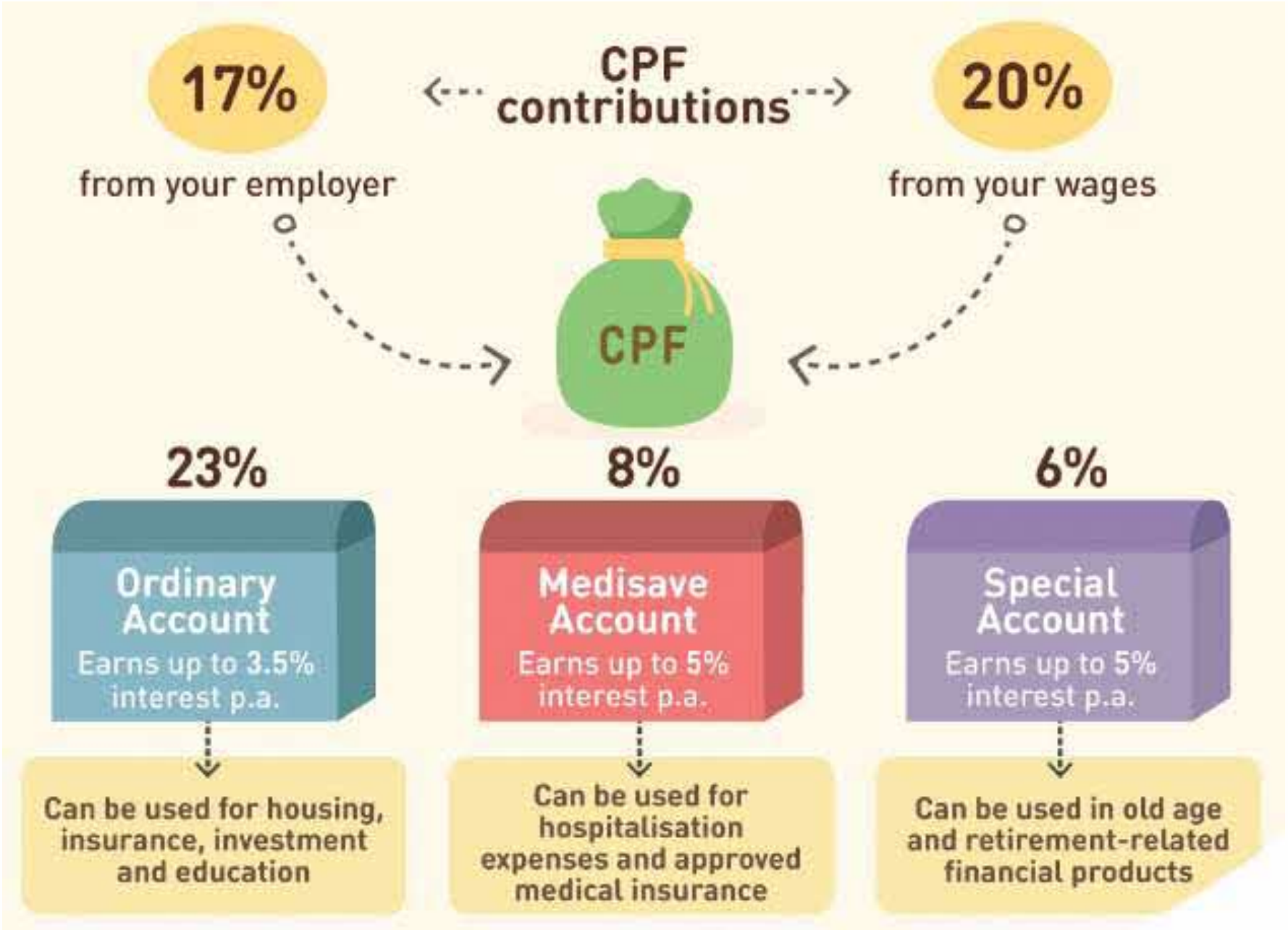
- Established by the British colonial government in 1955 and **retained after Singapore's independence**
  - Similar systems in former British colonies e.g. India, Malaysia, Hong Kong

- 1968 - Public Housing Scheme allowed CPF savings to finance mortgages on their HDB flats
- 1977 – **Special Account** introduced to provide for more targeted savings for retirement
- 1984 – **MediSave Account** introduced for hospitalisation expenses

CPF Today: 4 Accounts



Source: CPF Board



Source: CPF Board

For members below age 55

OA 2.5% p.a.

SA 4% p.a.

MA 4% p.a.

Up to **5%**

On the first $60,000 of combined CPF balances (capped at $20,000 for OA)



For members age 55 and above

OA 2.5% p.a.

SA 4% p.a.

MA 4% p.a.

RA 4% p.a.

Up to **6%**

On the first $30,000 of combined CPF balances (capped at $20,000 for OA)

Up to **5%**

On the next $30,000 (capped at $20,000 for OA)

Source: CPF Board

Pillar 1: CPF Retirement Savings

- A **Retirement Account (RA)** is created for a member upon turning 55.

- Member has flexibility to withdraw CPF savings (in full or in part) after setting aside the applicable **retirement sum** in the RA, which is used for the purchase of an annuity **(CPF LIFE)** that provides monthly payouts for life starting from 65 years
  - Basic Retirement Sum ($110,200)
  - Full Retirement Sum (2X BRS i.e. $220,400)
  - Enhanced Retirement Sum (4X BRS i.e. $440,800)

Pillar 1 Extension: CPF LIFE

- **CPF Lifelong Income For the Elderly (CPF LIFE)** introduced in 2009 and mandatory from 2013
- National longevity insurance annuity scheme
- Upon turning 65, members may start receiving lifelong monthly payouts under CPF LIFE.
  - Option to defer payouts until age 70 for higher payouts (+ up to 7% per year deferred)
- Basic, standard or escalating plans for those who want payouts to become progressively lower, remain steady or grow larger over time
- CPF LIFE premium balance and any other CPF savings distributed to loved ones when member passes on

Pillar 2: Home Ownership

- Housing and Development Board (HDB) provides highly subsidised public housing and loans to promote home ownership
- Aims to give citizens a tangible stake in the country and its future, and an asset that will appreciate over time
- Around 90% of Singapore resident households own their homes, and around 77% live in HDB flats

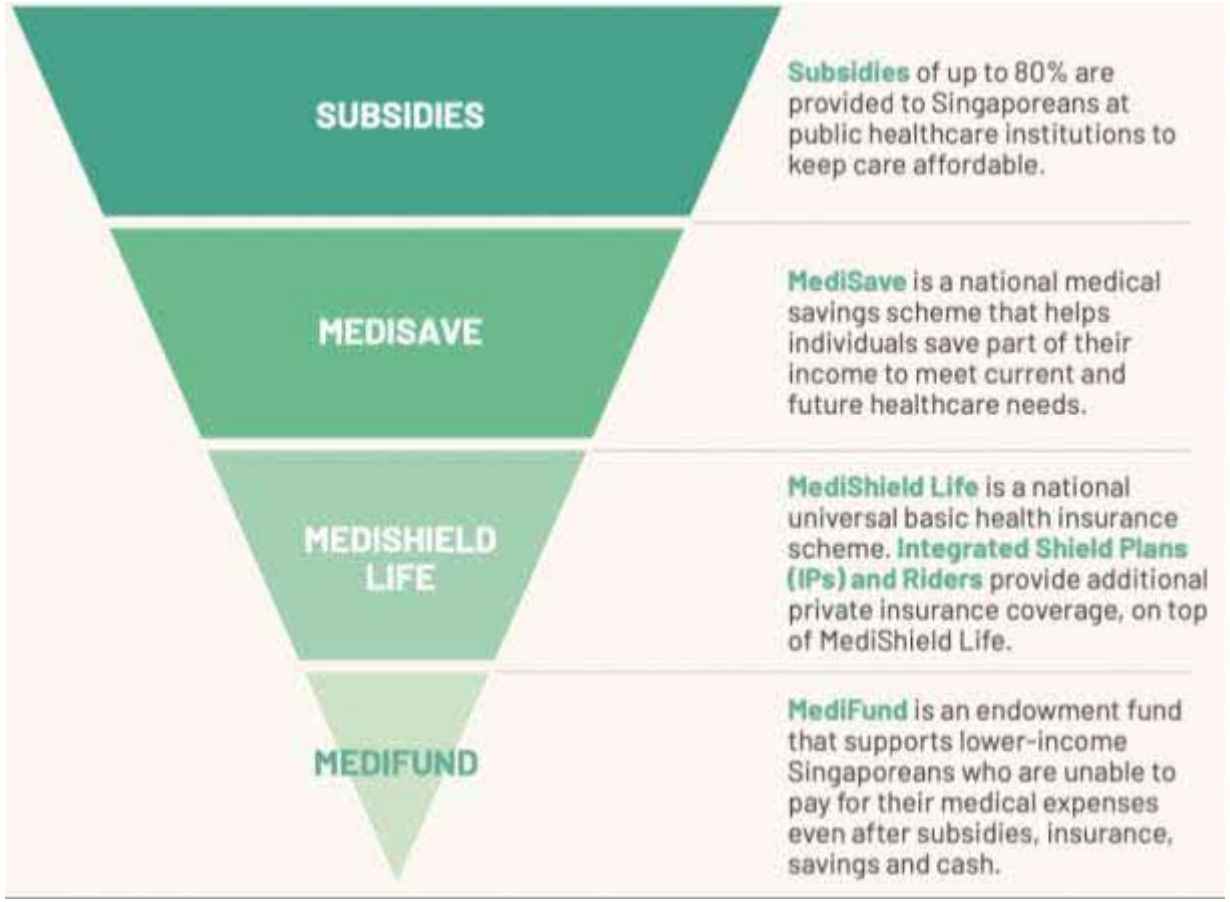
Pillar 2 Extension: Housing Asset Monetisation

- Provides options to seniors who are asset rich but cash poor
- **Lease Buyback Scheme** (introduced in 2009)
  - Those who do not expect to outlive their flat lease can sell excess lease back to the HDB, an receive up to $30k bonus for topping up CPF
  - Allows ageing in place, though some seniors prefer to leave flat as bequest
- **Silver Housing Bonus** (introduced in 2013)
  - **Encourages "empty nesters" to right**-size to smaller flats
  - Provides up to $40k bonus, but some seniors prefer not to move
- Complemented by upstream interventions to prevent homeowners from being overstretched financially

Pillar 3: Healthcare Assurance

S+3M framework

- **Subsidies** for medical treatment
- **MediSave**: Savings plan for hospitalisation and medical expenses
- **MediShield Life**: Universal healthcare insurance
- **MediFund**: state assistance for the most needy



Source: MediShield Life 2024 Review Council Report

Pillar 3 Extensions

- **MediShield Life** (universal healthcare insurance) introduced in 2015
  - Previously, catastrophic healthcare insurance scheme MediShield did not cover those with pre-existing medical conditions

- **Pioneer, Merdeka Generation packages** (2014, 2018)
  - Additional healthcare subsidies
  - **Strengthen healthcare assurance for pioneer generation** who had less savings including MediSave, **relieve burden on those supporting them**
  - **Cohort-based** rather than aged-based
  - **Universal support** rather than means-tested

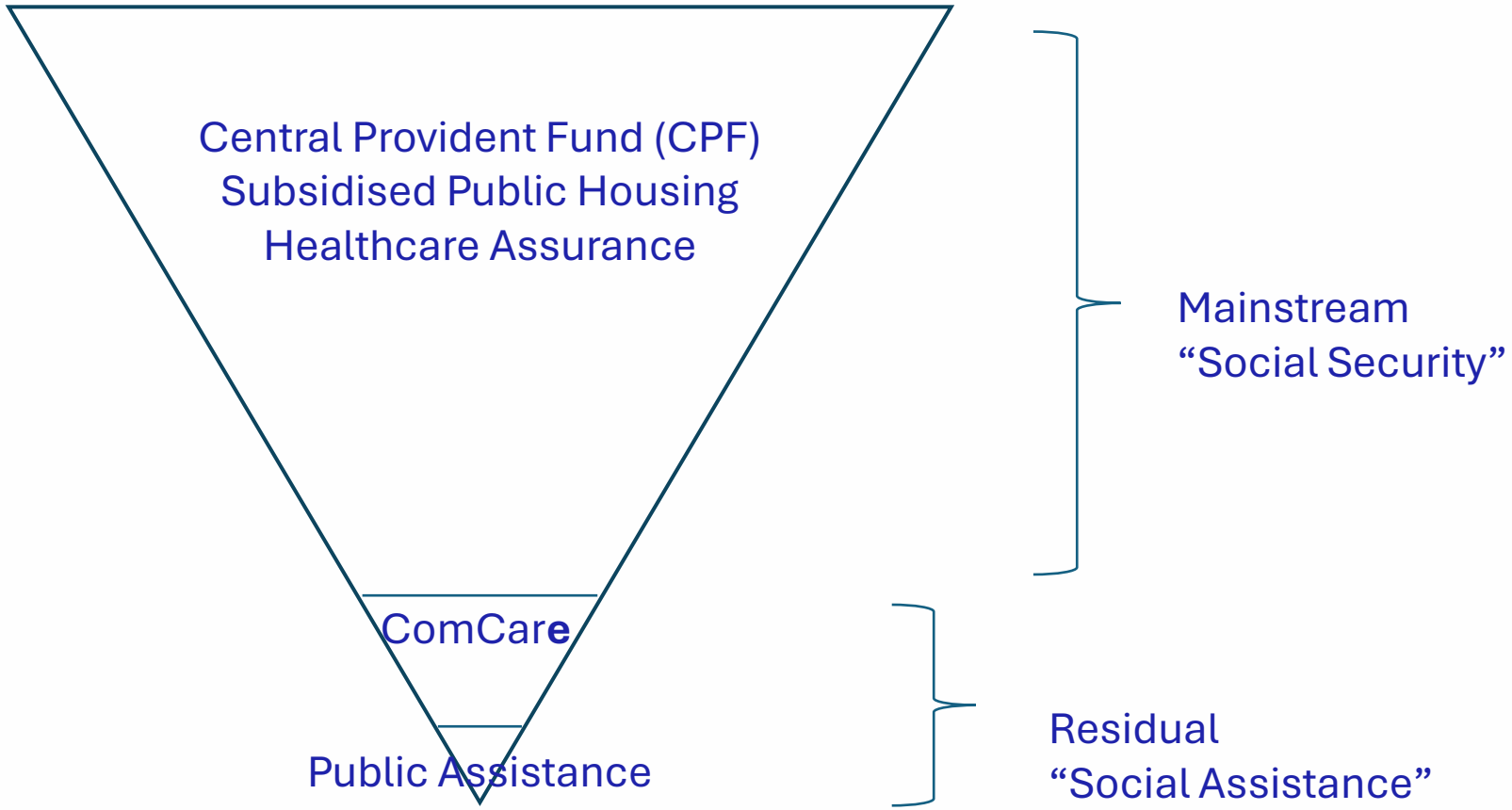
Pillar 4 (New): Workfare and Silver Support

- **Workfare Income Supplement** – wage supplement for lower-wage workers introduced in 2007 to help them build up savings for retirement
- **Workfare Skills Support** – further training subsidies for Workfare recipients
- **Silver Support** – equivalent for lower-income retirees based on lifetime income, introduced in 2016

Together, Workfare and Silver Support form the fourth pillar of **Singapore's social security system**

Expanding Social Security to Address Emerging Challenges

Singapore's Social Security System



Adapted from Terence Ho, *Refreshing the Singapore System* (2021)

Structural Challenges in the 21st Century

- **Internal**
  - Maturing economy
  - Social stratification
  - Ageing population
  - Global city and high cost of living
- **External**
  - Global competition
  - Economic volatility
  - Technological disruption
  - Climate Change and Sustainability

Extending Social Policy

Risk-pooling (social insurance)

Workfare Income Supplement and Silver Support (4th pillar of social security)

Progressive Wage Model

Unemployment support (SkillsFuture Jobseeker Support)

Protection for gig workers (Platform Workers' Act)

(1) Risk Pooling

- **Universal healthcare insurance**
  - MediShield Life introduced in 2015
- **Long-term care insurance**
  - CareShield Life introduced in 2020
- **Longevity insurance**
  - CPF Lifelong Income For the Elderly (CPF LIFE), an annuity scheme introduced in 2009

(2) Workfare Income Supplement & Silver Support

- WIS and Silver Support aim to help **bottom 20%** of Singaporean wage earners / retirees, **with some support for those slightly above**

- WIS payouts (in cash and CPF) depend on age and income – up to 30% of income
  - Self-employed eligible if they make CPF contributions, but receive lower payouts and only 10% in cash

- Silver Support payouts depend on monthly household income per person, **and recipient's flat type**
  - Eligibility based on lifetime income (proxied by total CPF contributions), household income and housing type

(3) Progressive Wages

- **Singapore's alternative to the minimum wage**
- Defines **wage floors and ladders** for local workers **corresponding to skills, productivity and job responsibilities** in various sectors and occupations
- Wage schedules **negotiated by tripartite clusters** comprising unions, employers, industry associations and government agencies
- Initially introduced in the cleaning, security and landscaping sectors to address stagnant wages due to outsourcing practices
- Now expanded to **directly cover over 8 in 10 lower-wage workers**
- Remaining lower-wage workers supported by accreditation scheme (requirement for a firm to participate in govt procurement) and market forces

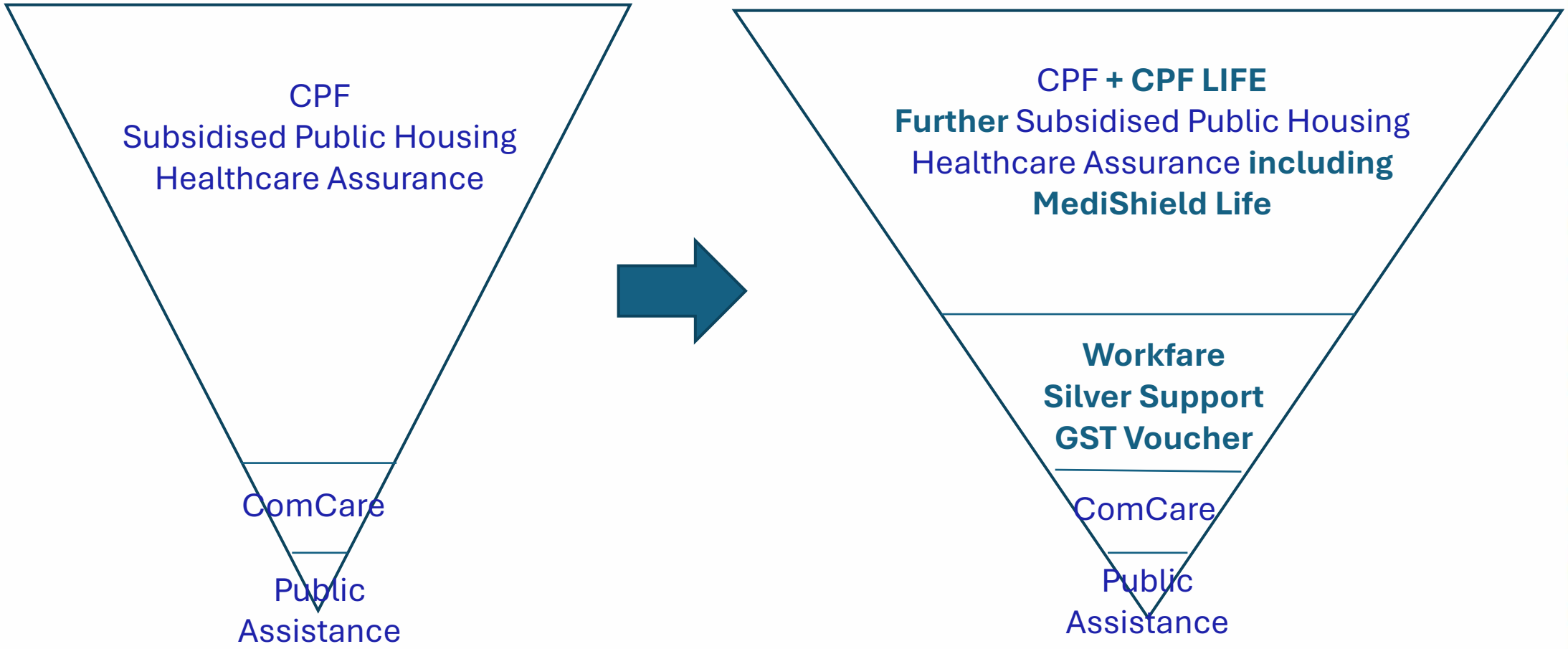
(4) SkillsFuture Jobseeker Support

- Previously, social assistance only provided to those out of work with little or no savings and no other means of support
- Following the recommendation of a joint union-**employers' taskforce,** the Govt announced it would provide **temporary income relief** for retrenched or displaced workers while they retrained for new job
- Intent is to **give them time to find a job with a good fit**, rather than be forced to take up the first job that comes their way
- SkillsFuture Jobseeker Support (launched in Apr 2025) provides **up to $6,000 over 6 months**
- To qualify, participants **must engage in job search activities** e.g. submitting job application, attending career coaching or participating in approved training programmes

(5) Platform Workers Act

- Implemented on 1 Jan 2025
- Platform Companies required to provide the same scope and level of **work injury compensation** as employees
- CPF contributions for platform workers aligned with those of employees for better **housing and retirement adequacy**
  - Required for workers aged below 30 years at point of implementation
  - Older workers may opt in
- Platform workers allowed **formal representation** for negotiations with platform companies

Expansion of Singapore's Social Security System



Adapted from Terence Ho, *Refreshing the Singapore System* (2021)

Structural Challenges in the 21st Century

- **Internal**
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  - Social stratification
  - Ageing population
  - Global city and high cost of living

- **External**
  - Global competition
  - Economic volatility
  - Technological disruption, esp. Artificial Intelligence
  - Climate Change and Sustainability

What does this mean for Singapore's work-based social compact?

Supporting Employability in the AI Age

- **Tripartite commitment:** May 2026 Parliamentary motion – **"An AI Transition with No Jobless Growth".**
- **AI skills:** 1,600+ SkillsFuture AI courses; six months' free premium AI tools with selected courses.
- **Workforce transformation:** Grants for AI adoption, job redesign and worker reskilling.
- **Youth opportunities:** 3,000 year-long tech internships over three years, across ITE, polytechnics and universities.
- **Career transitions:** Integrated skills training, career guidance and job matching.

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